

HOWLS OF APOSTLES OF EVIL MORE HUMOROUS THAN HARMFUL

They Make the Judicious Grieve But They Bring No Anxiety to the Thoughtful, Declares Secretary of Commerce William C. Redfield

(Speech of Hon. William C. Redfield, Secretary of Commerce, before the Raleigh Chamber of Commerce and the Democratic State Convention Thursday night, June 4, 1914.)

If we would place the business atmosphere of the country on a sort of commercial weather map such as is used by the weather service, we should find a curious condition. In the extreme southeast and southwest would be areas where the business barometer is high. All through the great central part of the country, where the bulk of our wheat is grown, would be another great area of fair weather and high pressure. Over the great cotton areas of the South would be no depression, not even unsettled conditions, but a normal looking for great agricultural favors expected to come. High barometer also prevails where automobiles are made in and about the Lake area. Over the northeastern States would be found a section of low barometer and marked depression. If a state of mind of the different parts of our country could be shaded in colors, the great body of the West would be white, while an area of dull gray would represent our Northeastern States.

One does not mean to deride a depressed state of mind in speaking of it as a psychological condition. The people that feel that way feel just as badly about it as if the condition were physical rather than psychological. The hope lies in the fact that the realities of the physical condition may so assert themselves ere long that the mental state will adjust itself to them and be relieved.

Taking the Larger View.

Before, however, we discuss further current conditions in our own country, let us take a larger view. There is in *The Economist* of May 16, an unusual article under the heading, "Geographical Distribution Tested," which deals with the rise and fall of securities in various parts of the world. The table given shows the record of specific bonds in Canada, Mexico, Brazil, Argentina, Turkey, Japan, Russia, and Australia. It shows that nearly all the securities named rose from 1904 to 1910, and that every one of them fell from 1910 to 1914. They include government, municipal, and railway issues. Some of the results are very striking. I use the words of the article itself:

"Take first two countries as widely different as Canada and Japan. They are separated by hundreds of miles of ocean. They have little or nothing in common, and the trade influences that affect the one leave the other untouched. Since 1910 the securities of both countries have been falling. Montreal City 4 per cents have declined 14 3-4; Osaka City 6 per cents, 17 1-2 points; Toronto 4 per cents have lost 8 3-4 points; Yokohama City 6 per cents, 8 3-4 points."

Mexican government 5 per cents have lost 24 points; and lest it be said that this is from exceptional causes known to us all it should be added that Brazilian 4 per cents have gone off 22 points also.

Here in the countries named, selected from Europe, Asia, South America, North America, and Australia, is a universal fall, so far as the table goes, in security prices.

The same authority speaks of business in Germany as being poor. It says the coal market in Silesia is very bad and a 20 per cent restriction of production has been arranged; that prices on the iron and steel market are still lower, and the struggle for orders is even keener than before, and makes this significant statement:

"The attempt by the iron and steel producers to compensate for the deadness of the home market by exports abroad at cut rates continues."

Of Austria-Hungary the same authority says:

"The depression in the iron and steel market is giving way to a slight improvement. . . . The consumption of iron and steel had sunk to such low figures that a reaction had to take place."

Of France it says:

"We have been passing through something like an industrial crisis, about which it is not yet clear whether the turning point is passed or not."

Of Argentina it writes:

"The depression in trade has become less in spite of the frequent failures for large amounts. The weak firms existing upon credit no longer obtainable are being weeded out."

Nations Close Together.

Few men would be so bold as to deny, no public man discussing economic themes is quite candid if he ignores, the world-wide conditions which have been suggested to you. This is not an age in which the nations are separated. Their commercial and industrial alliances on the one hand and competitions on the other are close. That which affects one adversely is reflected upon the others. It is the merest childishness to select one of them out from the others and deal with it as if its own internal procedure were the sole cause of the conditions found in it. Take

for example Brazil, which should be, by every argument used for high protection, secured in its prosperity by one of the highest tariffs in the world, yet the Brazilian national, State, and municipal bonds quoted by *The Economist*, which advanced from 1904 to 1910, have all of them fallen off in 1914. Serious business depression has existed in that country, and still exists. Shall we argue from it that the presence of a high tariff is therefore the cause of their troubles and that if they had the English system of free trade they would be far better off? Indeed, we might urge this with certain apparent force, for the depression is by no means as severe in Great Britain as in Brazil. Nevertheless, it would be fallacious to take such a position, for such power as the argument might have if Brazil were alone in her troubles falls completely to the ground when it is observed that similar troubles exist elsewhere under dissimilar conditions.

Government and Big Business.

In like manner any argument to the effect that the alleged attitude of our government toward "big business" is the cause of such depression as exists here is met by the fact that in Germany, where trusts and cartels are legalized and the government assists both, the depression is even more severe than it has been here.

It cannot, therefore, be argued that a cause produces certain results here when the absence of that cause is coincident with the same results there. It is difficult also to argue to any extent as to the effect of the presence or absence of tariffs upon the whole depression because in France with its protective tariff and in England without one conditions have been fairly similar for some time past, being of late rather better in England than in her Continental neighbor.

World's Business Depressed.

Any world-wide view, therefore, of the great intricate mass of interlocked transactions which we call "the world's business" finds it in a state of depression almost everywhere, with ocean freights so low because of the shortage of international traffic on the sea that shipowners are beginning to consider whether it is not cheaper to lay their vessels up than to run them at a material loss.

We may now turn from this brief glance at the larger world to our own immediate affairs. In so doing, however, we must first consider how our customers are affected. If I sell to you it makes a great difference whether you are anxious for orders or not. In the first case if things are bad with you you can not buy of me for lack of the power to buy. In the second case you, if your business is dull, limit my capacity to sell by your competition for the business which we both seek.

Effect of Bad Business Abroad.

Under such conditions as have prevailed throughout the commercial world for over a year it would be an abnormal thing if we were continuously able to enlarge our sales to customers whose business condition was such that they could not buy as much as formerly. Under the same conditions it would be almost equally abnormal for us to be able to sell as much as formerly against the competition of all other peoples together under conditions which made them anxious for orders that their shops might be kept moving.

It is an extraordinary tribute to our competing power in the markets of the world that we did, against these peculiarly difficult conditions long existing among our customers, for many months steadily increase our sales to them, and that the falling off in our sales should be at the lowest ratio in the lines where the competition from them is greatest. Power is not shown merely by the reaching of a certain mark. Weakness may, when conditions are easy, reach the mark of which enormous power might under adverse conditions fall somewhat short. Only one who was commercially crazy would expect the United States to steadily increase the actual volume of its export trade without monthly recessions in the face of falling prices and universal depression. The thoughtful business man knows that he who under such conditions maintains his due proportion of market control shows a high quality of competing power.

A good deal has been made of the fact that our foreign business during the month of April shows a decrease in the exports of about thirty-seven millions of dollars and an increase in the imports of about twenty-seven and one-half millions of dollars, and that the merchandise transactions for that month show an apparent balance against us somewhat in excess of eleven millions of dollars, and gleeful conclusions as to the effects of the tariff law are drawn by high-speed thinkers from rather meager data. Looking plainly at the facts, we find them to be as follows:

The April Figures.

During April the increase of imports, which we have seen amounted

to about twenty-seven and one-half million dollars, is found to be in the following items:

Crude materials for use in our manufactures, twelve and one-half millions.

Crude foodstuffs, over four millions. Partly manufactured foodstuffs, nearly seven millions.

Here is an aggregate of twenty-three and one-half millions out of a total increase of twenty-seven and one-half millions, which is entirely in foods and materials which our manufacturers use. The balance is made up of an increase in finished manufactures of five millions, less a decrease in partly finished manufactures of two millions, showing a net increase in all imported manufactures of three million dollars, or about five per cent as compared with the month of April a year ago.

No conclusions From Single Month.

I use round figures in all cases for the sake of clearness, and pause to say that the use of any single month as establishing the general trend is often misleading, especially in a total average volume of business of six million dollars a day in imports only. The presence or absence of an extra Sunday or a holiday in a single month would affect results appreciably.

If to be precise we look into the details of the increased imports for April, we find them chiefly among crude materials, in hides and skins, India rubber, silk, raw wool, raw fibers, leaf tobacco, and raw cotton; among foodstuffs, in sugar and meats; among manufactures, in fertilizers and manufactures of wool and cotton.

Turning now to the exports for the month of April, in which there is a decrease of thirty-seven millions for that month, we find ten millions of it in crude materials for manufactures; fourteen millions of it in foodstuffs; over five millions in partly finished manufactures; making a total of twenty-nine millions. Eight millions out of thirty-seven million is in fully finished manufactures, this last item showing the smallest ratio of decrease for the month of any of the great groups named. In other words, it is in the line of fully finished manufactures that we have held our proportion of business best.

If we examine the details of these decreases in our exports for April, we find them among crude materials, in coal, and in raw cotton, which between them account wholly for the ten millions decrease. Other decreases are in agricultural implements, manufactures of iron and steel, which fall off nearly seven millions; meat products, nearly three millions, cotton seed oil and oil cake, between them two and one-half millions, and manufactures of wood, nearly two millions. As against these there are actual increases in our exports for April in such items as chemicals, drugs and dyes, fertilizers, fibers, cash registers, locomotives, mineral oils, printing paper, leaf and manufactured tobacco, and hewn and sawed timber.

I repeat that to select any single month as indicating any special conclusion is so absurd a proceeding as to indicate a noble ignorance on the part of the critic who proceeds that way. My apology in using that method here is (for I feel that an apology is really needed for it before this intelligent audience) that it has been seized by would-be economists as the basis for arguments indicating the drift of our fiscal policy. Indeed, a Senator quoting the fact of the excess of imports in April states:

"Thus we are coming to a condition which has existed under former Democratic tariff laws when distress everywhere prevailed."

Labor Is In Demand.

On the day when this was written the Secretary of Labor read in the Cabinet in my presence a telegram from the labor authorities of Missouri stating that 30,000 men were needed in that State to help harvest the crops. Another telegram from the Labor Commissioner of the State of Kansas calling for 40,000 men for that State for a like purpose was read, and at the previous session he had read a dispatch from the Labor Commissioner of Oklahoma stating that 155,000 men were needed there. To such men these authorities offered employment at from \$2 to \$2.50 or more per day in addition to board and over a period of some months. For the public authorities of three great States 't'us to be calling officially for the assistance of 85,000 men at fair wages does not seem to me to indicate that drift toward the prevalence of distress everywhere which troubles our good friend, the Senator.

Yet taking his criticism at par, and assuming it for the moment to justify all that he alleges for it, it seems to prove rather more when closely examined than he would himself desire, in our history in which the imports exceeded exports. There was another year in which this was the case; indeed, in which it was five times the case, and that was the year which followed the passage of the Payne-Aldrich tariff law. In the month of March that year, namely, 1910, there was an excess of imports of over nineteen million dollars. Furthermore, the trade balance on merchandise transactions which the Senator laments should have fallen so low in the present fiscal year as to be at the close of the ten months ending with April only a trifle over four hundred and seventy million dollars in our favor was during the ten months ending with April, 1910, under the Payne-Aldrich tariff, but one hundred and

seventy-one millions of dollars. There is thus the trifling difference of three hundred millions in favor of the present year.

No Flooding of Our Markets.

If, however, we look at the full period of seven months since the tariff went into effect we find the situation even less comforting to our Senatorial critic. The imports have indeed increased. It was meant they should. They have grown, compared with the same seven months last year, by quite twenty-five millions. The largest item of this, in fact an increase of over thirty millions in itself, are crude foodstuffs. The further increase of twelve millions is in partly manufactured foods. The only item of increase is in fully finished manufactures of eighteen and one-half millions, which is offset by a decrease in partly finished manufactures for the period of over thirty millions, and by a further decrease in materials for manufactures of five millions. So for the entire period, taking all manufactures together, the record under the new tariff shows total importations for seven months of five hundred and sixty-seven millions, in round numbers, as compared with a total for the same seven months last year, before the new tariff went into effect, of five hundred and sixty-eight millions, the increase in fully finished manufactures and a manufactured foodstuffs being offset by a decrease in partly finished manufactures imported. There is here no sign of any excessive flooding of our markets through the period named.

Looking now at the exports over the entire period since the tariff came into effect, there is a decrease of one hundred and thirteen millions of this over sixty-seven millions is in crude foods and twenty-four and one-half millions more in partly manufactured foodstuffs. Thus these two items of foodstuffs account for ninety-one and one-half millions out of the one hundred and thirteen millions of decrease. We could not well have foodstuffs to sell when there was a shortage in our own supplies of grain and food last year. Next fall, if we may judge from current crop conditions, there will be a different story. The remainder of the decrease is accounted for by a shrinkage of twenty-four millions in partly finished manufactures and thirty and one-half millions in finished manufactures, offset in part by an increase of thirty-seven millions in crude materials.

It will be noted again that the decrease exists in its lowest ratio in the item of fully finished manufactures, thus showing in this sphere a continued power of competition which is remarkable, considering the adverse conditions which we have had to meet abroad.

Just as this was written there came to my hands in press reports the latest available figures of the French Customs Department. In France protection prevails in undiminished vigor. Her fiscal returns show during the first four months of this year compared with the same period in 1913 an increase of nearly forty millions of dollars in imports and a decrease of over ten million dollars in exports. The exports of manufactures fell off enough to account for the entire shrinkage in this division of her commerce.

Years Needed to Determine.

We have quite as good a right to assume from these facts that the French tariff is a failure as have our own critics to say that ours is unsuccessful. One argument would fairly offset the other. Neither is worth much. Months are useless; quarters are insufficient; more years than one are essential to determine the actual effects of such large causes. The French returns show, as ours do, that world-wide business is dull. Neither their figures nor ours warrant any other conclusion.

There is in the facts which have thus been submitted no basis whatever for even a psychological depression in our own affairs. The business tide has been long running low all over the world and we have felt its recession. We have felt it least, so far as our foreign trade is concerned, along the lines of the fully finished products of our industries. Here are no facts that should cause any one alarm.

A great commercial paper quotes on May 25th a speaker as stating that—

"Depression is based in the ratio of 25 per cent on real causes and 75 per cent on falsely based sentiment."

It should be remembered that these words are not mine, but are those of a manufacturer.

The president of a large steel mill is quoted as saying:

"Pessimistic trade sentiment in the East is the real cause of depression. It is ridiculously absurd, for fundamental conditions are excellent and all the legislation or legislative threats in the word can not overcome that fact."

It is true, as has already been suggested, that a psychological depression is none the less a depression because it is psychological. We may therefore fairly look into other conditions to see whether the mental state that exists has a justification in solid fact.

Conditions Warrant Sound Business.

It is true, is it not, as one looks over the country that all the conditions upon which sound business should rest exist in full force and vigor? Few will contend that merchants are overstocked. Rather is the reverse true. None are so rash as to say over speculation exists. Nay, on the contrary the brokers complain of lack of com-

(Continued on Page Eleven.)